

COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS

AGENDA ITEM TRANSMITTAL

(1) DEPARTMENT General Services Agency – Airport Services	(2) MEETING DATE 1/28/2014	(3) CONTACT/PHONE Kevin Bumen, General Manager 781-5205	
(4) SUBJECT Request to approve Amendment No. 1 to concession agreement with the Achievement House, Inc., to continue to operate a combined snack bar and gift shop concession in the terminal building at the San Luis Obispo County Regional Airport for an additional two years under modified rent terms. District 3.			
(5) RECOMMENDED ACTION It is recommended that the Board approve the attached Amendment No. 1 to the concession agreement with Achievement House Inc. for snack bar and gift shop concession services at the San Luis Obispo County Regional Airport and instruct the Chairperson to sign the amendment.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$3,000	(8) ANNUAL FINANCIAL IMPACT \$3,300 in FY 2014-15 \$600 in subsequent fiscal years	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>12/11/2012</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(18) SUPERVISOR DISTRICT(S) District 3 -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency – Airport Services/ Kevin Bumen

DATE: 1/28/2014

SUBJECT: Request to approve Amendment No. 1 to concession agreement with the Achievement House, Inc., to continue to operate a combined snack bar and gift shop concession in the terminal building at the San Luis Obispo County Regional Airport for an additional two years under modified rent terms. District 3.

RECOMMENDATION

It is recommended that the Board approve the attached Amendment No. 1 to the concession agreement with Achievement House Inc. for snack bar and gift shop concession services at the San Luis Obispo County Regional Airport and instruct the Chairperson to sign the amendment.

DISCUSSION

In 2006, based in part on the results of a passenger survey, the Airport snack bar was remodeled into an expanded snack bar and gift shop concession. After rising five consecutive years through 2007 to a record 187,120 enplaned passengers, enplanements fell the following year approximately 16% to 157,421. In 2012, they decreased an additional 17% to 131,427. During this same period there had been two concessionaires who operated the snack bar and gift concession, the most recent being Alexis Enterprises, Inc.

On January 5, 2010, the Board approved a three year concession agreement with Alexis Enterprises, Inc. Alexis Enterprises, Inc. elected to not exercise their option to extend their agreement; and on September 4, 2012, the Airport issued a Request for Proposals (RFP) which ended without any submitted proposals. As a result, the Airport followed up with parties that had expressed interest during the RFP process. In response, Achievement House, Inc (AHI) submitted a complete proposal. AHI is a 501c 3 non-profit agency serving the vocation and community living needs of persons with developmental disabilities. Programs provided by AHI are designed to assist individuals in developing workplace skills and behaviors to enhance individual productivity, independence, and community integration. AHI currently operates three food and beverage concessions within the County and one in Santa Barbara County. These locations include the Coffee Café at Camp Roberts, Orange Dog Café at the Colony Park Community Center in Atascadero, 11th Hole Grill at the Laguna Lake Golf Course and the Grub Hub at the Santa Maria Transportation Hub.

On December 11, 2012, the Board approved a one year concession agreement with the Achievement House, Inc. This concession agreement provided AHI with an option to extend the initial one year term for an additional two years (option period). AHI has exercised this option; however, AHI has requested a modification to the rent terms due to lower than anticipated sales. AHI had average gross monthly receipts of \$8,538 over the first eleven months of the initial term. As a point of reference, the concessionaire operating in 2007 had an average of \$21,374 in monthly gross receipts. Below is a summary of the proposed new rent terms in each year of the proposed two year extension.

Rent modification Impact, assuming \$9,000 in gross monthly receipts in Years 2 and 3:

Year 2			
	Existing Agreement (Approved by Board on 12/11/2012)	Proposed New Rent Terms	Annual Impact of Proposed Rent Adjustment
Terms	\$500 per month; or 3% of \$25,000 or greater gross receipts per month	No rent if gross receipts are less than \$12,000/mo; or 1% of \$12,000 or greater gross receipts per month	
Annual Rent	\$ 6,000	\$ 0.00	\$ (6,000)

Year 3			
	Existing Agreement (Approved by Board on 12/11/2012)	Proposed New Rent Terms	Annual Impact of Proposed Rent Adjustment
Terms	\$550 per month, or 6% of monthly gross receipts, whichever is greater	\$500 per month; or 4% of gross receipts over \$15,000 per month	
Annual Rent	\$ 6,600	\$ 6,000	\$ (600)

This requested modification of rent terms will allow AHI to pay off its outstanding balance on a loan that was used to purchase various business property, equipment, and inventory from the previous concessionaire to ensure uninterrupted service during the transition from the previous ownership.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel reviewed and approved the attached amendment as to form and legal effect.

FINANCIAL CONSIDERATIONS

Modifying the rent schedule as noted above will result in a potential loss of \$6,600 over the proposed two year amendment, assuming that AHI's gross receipts are consistent with the receipts seen in the first eleven months of the agreement. In the first year of the amendment (Year 2 of the Agreement), the anticipated loss in annual rent is \$6,000. In the second year of the amendment (Year 3 of the Agreement), the anticipated loss in annual rent is \$600.

These minor losses in revenue from the proposed rate structure for concession services will not impact Airport operations. This agreement will provide for the continued availability of the Airport snack bar and gift shop for passengers at the airport.

RESULTS

Approval of Amendment No. 1 will allow AHI to continue to provide much needed customer service items generally expected to be found in an Airport of our size without any interruption of this very popular terminal service, while at the same time supporting this non-profit agency's efforts to serve the vocation and community living needs of persons with developmental disabilities.

ATTACHMENTS

1. Amendment No. 1 to Concession Agreement